

Presentation to the House Transportation Committee

Representative Pam Bymes, Chair

May 21, 2009

Transportation Funding Task Force Legislation – Transit



Presentation Overview

- Michigan's Local Transit System - System Snapshot
- State Transit Funding Trends
- Transportation Funding Task Force Results
 - Funding
 - Efficiencies
 - Transit Bills



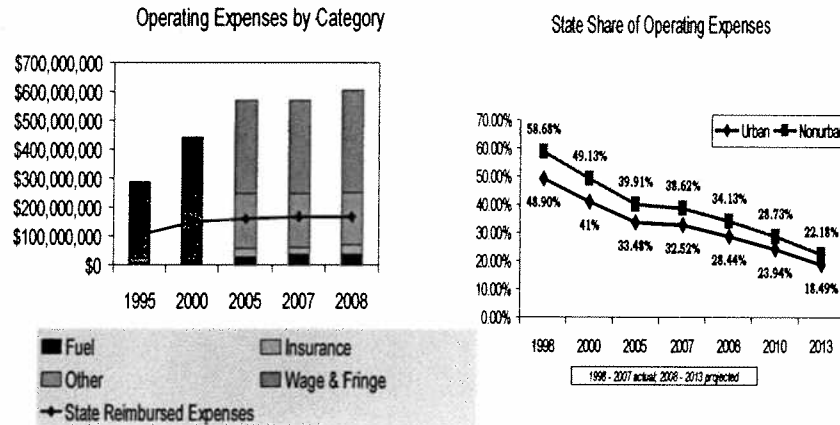
LOCAL TRANSIT SYSTEM SNAPSHOT

Local Transit System Snapshot

- Gets people to work, shopping, medical, recreation, social interaction and more
- 79 Transit Agencies/Authorities
- 40 Specialized Service Agencies
- 3,410 passenger vehicles
- Served 94 M passengers in FY2007
- Over 80% of population have access to local transit services

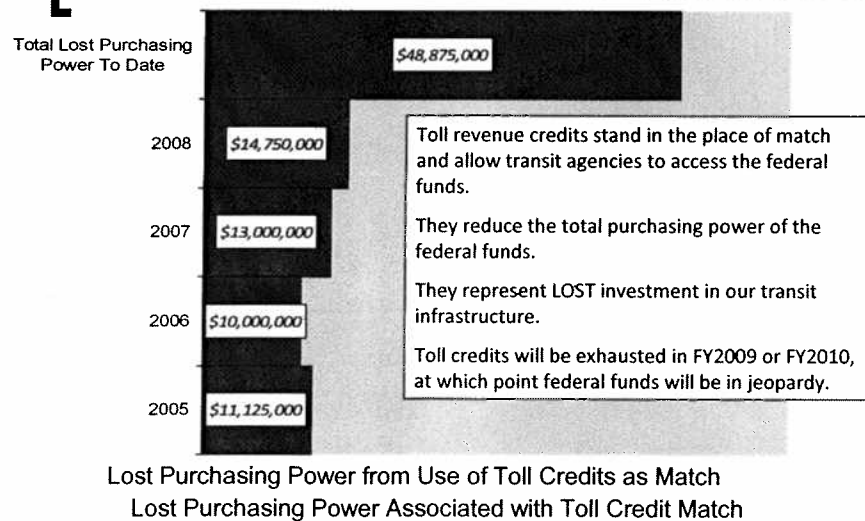
- Act 51 requires the Comprehensive Transportation Fund to:
 - Share in local operating costs
 - Match federal grants
 - Support "Specialized Services"

State Operating Assistance



Local Public Transit Costs vs. Revenues

Lost Capital Investment

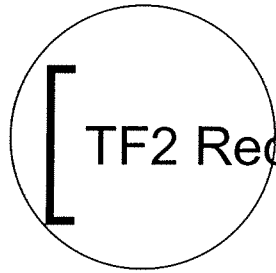


Results of Continuing Current Investment in Passenger Transportation



- Rapid and/or regional transit projects in Michigan's urban areas not possible
- Growth of local bus transit - including countywide service throughout the state - not supported
 - Existing local bus systems will cut service
- Intercity passenger rail and bus services will be lost
- Transit buses will not be replaced with more fuel efficient and/or lower emission models when they reach the end of their useful lives
- Passenger facilities will not upgraded or expanded

TRANSPORTATION FUNDING TASK
FORCE



TF2 Recommendations



[Revenue Recommendations]

Immediate Actions

- Increase vehicle registration rates
- Adjust motor fuel tax

Short Term Options

- Encourage local investment with a broad spectrum of local revenue options
- Public-Private Partnerships, toll-financed reconstruction, expansion, new construction of freeways



*HB 4967:
Transportation Finance
Investment Act*

Longer Term Options

- Increase sales tax and dedicate increase to transportation funding
- Direct all or a portion of sales tax on fuels to the Michigan Transportation Fund

Recommended Efficiencies

- Review Bonding & Bond Refinancing for Savings
- Reclassify MTF Funds to "Trust Funds"
- Eliminate Reporting Redundancies
- Encourage Regionalism in Transit ↔ *HB 4965: Regionalization Grant Program*
- Create Corridor Authorities
- Establish performance standards for all agency operations, and use of performance factors in funding allocations ↔ *HB 4963: Transit Asset Management*

Results of "Good" Investment in Passenger Transportation

- Good Investment Level (per the TF2)
 - \$507.6 million in state revenues; leveraging up to \$265.1 million in federal funds
- What will a good passenger transportation system look like?
 - Local bus agencies able to maintain and expand/enhance services as needed, including county-wide transit throughout Michigan
 - Michigan's cities able to compete for jobs and business through the introduction of rapid, regional transit ↔ *HB 4966: New Urban Transit Funding Program*

[Results of "Good" Investment in Passenger Transportation]

- What will a good passenger transportation system look like?
 - Expanded programs that provide alternatives to single car commuting (carpooling/vanpooling)
 - More frequent intercity passenger rail service with connector bus
 - Stable intercity bus service
 - New Intercity terminals and stations
 - ADA improvements at rail platforms
 - More targeted transportation services for Michigan's senior and low-income populations expanded

[TF2 Transit Bills]

TF2 Transit Bills

The following bills are currently before this committee today:

- HB 4965 - Transit regionalization grant program
- HB 4966 - New transit service program
- HB 4967 - Tax increment financing for transit-related investments

(another TF2 transit bill is HB 4963 – Transit Asset Management)

HB 4965 - Transit Regionalization

- Amends Act 51
- With new CTF revenues, MDOT to provide grants to Metropolitan Planning Organizations (MPO) for regionalization work program
- MPO with urban transit agency will:
 - Define a “transit regionalization area”
 - Identify opportunities for enhanced regional coordination
 - Coordinate services
 - Coordinate operations
 - Develop an action plan with measurable objectives

HB 4965 - Transit Regionalization

- Transit agencies report to MDOT on progress annually
 - Sufficient progress needed to remain eligible for state matching funds for facilities
- Bill allows for locally driven approach
 - Not a “one size” fits all issue
 - Opportunities for regional coordination and the actions needed may differ
 - Geographic area to focus on the regionalism effort may differ – countywide or multi-county
- Large urban areas as a starting point

HB 4966 - New Transit Services Program

- Amends Act 51
- With new CTF Revenue, creates a “new transit services” program
- Projects must provide new rapid or regional transit
 - Express bus, bus rapid transit, light rail transit, street railway, and or commuter rail transit
- Service must be in or between Michigan urban areas
- Dedicates state resources to urban transit
 - Can be used to match federal grants for high priority projects AND/OR
 - Provide 100% state funding for portions of projects that are essential but not federally competitive

HB 4966 - New Transit Services Program

- Current level of community and county level bus service is good – but not good enough
 - Economic, environmental and mobility benefits of transit expand exponentially when rapid and rail transit are added
- New program is in addition to existing CTF programs that match federal grants and provide state operating assistance for local bus systems

HB 4967 - Transportation Investment Zone Act

- Allows for the creation of tax increment financing authorities for transportation purposes
- Typical TIFA
 - Local government establishes a special district or zone
 - Capture future increases in property taxes within district
 - Use to finance public infrastructure improvements within the district
 - Often includes the issuance of bonds to finance projects
- HB 4967 functions much like other TIFAs
 - Improvements are aimed at "transit-oriented development"
 - TOD = development concentrated around and oriented to transit stations/routes
 - Tax increment revenue can also be used to operate transit

[HB 4967 - Transportation Investment Zone Act]

- Governing body of municipality or public transportation agency creates TIFA
- TIFA enters into agreement with affected municipalities and public transportation agencies to create zone. Agreement specifies:
 - Boundaries of the zone
 - Activities to enhance development in the zone
 - Actions taken by all parties, including financial, to establish the zone
- Tax increment financing plans to include:
 - Financing procedure
 - Distribution of the tax increment financing revenue
 - Uses of the tax increment financing revenue
 - Impact of the assessed value of property in each taxing jurisdiction
- Improvement plan required for tax increment revenue financed projects

[THANK YOU]



michigan municipal league

MEMO

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to	Michigan House Transportation Committee	from	David Q. Worthams, Legislative Associate
cc		date	5/21/09
		subject	SUPPORT HB 4967

Thank you for the opportunity to testify on HB 4967. The Michigan Municipal League (MML) is very excited that our idea of creating transit tax increment financing zones is a part of the discussions on new ways to fund transportation and transit in our state. We wholeheartedly support the enactment of this bill and the other bills of the Transportation Funding Task Force (TF2) funding package.

Background – Transit Oriented Development

Our state's primary resource – talent – drives the new economy. We have seen numerous reports and surveys that show that college education 25 – 34 year olds choose where to live and then they look for jobs. Public transit is key to attracting this crowd because it will drive the activities, the business climate, and the quality of life they're looking for.

Part of the League's call for supporting transit is based on the realization that we need to look at how we develop, or in many cases, redevelop our urban cores. Adopting a transit-oriented development (TOD) approach accomplishes this. TOD provides:

- A Sense of Place
- Economic Development
- Environmental Stewardship
- Healthier Citizens
- Greater Mobility
- Increased Transit Ridership
- Opportunities for public/private partnerships
- Reduced Congestion
- Greater Quality of Life

In the House Transit Subcommittee's Report from last year, Rep. Donigan has already highlighted the positive impact that TOD has had throughout the United States. Dallas, like many cities in Michigan, has been automobile dependent. When they launched their light rail system in 1996, they began to witness unprecedented private investment along the rail lines. The total value of private investment between 1997 and 2001 was measured at \$3.3 billion. More than 200 loft-style apartments were integrated into an



May 20, 2009

Representative Pam Byrnes
Chair of the House Transportation Committee
State Capitol, Room 251
Lansing, MI 48909

Chairwoman Byrnes,

Due to my inability to attend this important hearing of the House Transportation Committee, I appreciate the opportunity to submit the following written testimony on behalf of the Michigan Association of Counties (MAC) on House Bill 4967, sponsored by Representative Andrew Kandrevas.

HB 4967 establishes a municipality's or a public transportation authority's ability to establish a transit-oriented Tax Increment Finance Authority (TIFA). The Michigan Association of Counties (MAC) has a firm belief that there is a serious need to provide adequate infrastructure for regional, intermodal transit and that the TIFA mechanism has in some cases proven to be a positive step towards addressing the need for economic development, while promoting regional cooperation. In addition, MAC recognizes that allowing the capture of increased property tax revenue can stimulate sustainable economic development and is appropriate in many circumstances.

That said, it is also important to note that the 83 Michigan counties have an obligation under the state constitution, as well as state statute, to deliver certain services to their citizens and there can be little doubt that at a time when all budgets are being squeezed, local governments need the ability to manage their own resources. When one considers the combination of decreased property values, increasingly gloomy economic forecasts and a general increase in the cost of delivering services, now is not the time to begin to erode the autonomy of taxing jurisdictions when it comes to managing their limited finances.

Counties do not have the ability to form TIFA's, as this is generally left up to municipalities. However, since the inception of Proposal A in 1994, tax capture statutes have contained general boilerplate language that allows a County Board of Commissioners, via resolution, the ability to opt-out of these tax capture mechanisms. A list of the post 1994 statutes containing this language is attached. While some may view a county opt-out as detrimental to progress, the opt-out is

rarely used, and generally only as a negotiating tool (i.e. length of capture, size of zone, acceptable expenditures, etc.).

In conclusion, the Michigan Association of Counties understands that the goal of HB 4967 is to increase economic development opportunities while promoting and increasing viable transit options for Michigan's citizens. MAC supports this goal and looks forward to being a supportive partner in this process. However, it is our hope that the House Transportation Committee, and indeed the entire legislature, understands the importance of each county's ability to manage its own limited resources. By including opt-out language in HB 4967 (**suggested language is attached**), counties can become willing participants in sound economic development opportunities. MAC looks forward to working with you further on this issue, as a reasonable solution should be easily attainable. Thank you for your time and consideration in this matter.

Sincerely,

Eric Davis, Legislative Coordinator
Michigan Association of Counties

Cc: Representative Andrew Kandrevas